

**GARFIELD TOWNSHIP  
MACKINAC COUNTY, MICHIGAN**

Financial Statements  
For the Year Ended  
March 31, 2008

**Prepared By:**

Richard E. Mahlmeister, C.P.A., P.C.  
580 South Nicolet, P.O.Box 996  
Mackinaw City, MI 49701

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.06)

Unit Name* Garfield Township	County* MACKINAC	Type* TOWNSHIP	MuniCode* 49-1-040
Opinion Date-Use Calendar* Aug 29, 2008	Audit Submitted-Use Calendar* Sep 5, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed revenues that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 344,163.00
General Fund Expenditure:	<input type="checkbox"/> ? \$ 283,497.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 272,469.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ? \$ 61,498.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Richard	Last Name* Mahlmeister	Ten Digit License Number* 1101017351		
CPA Street Address* P.O. Box 996	City* Mackinaw City	State* MI	Zip Code* 49701	Telephone* +1 (231) 436-5223
CPA Firm Name* Richard E. Mahlmeister, CPA	Unit's Street Address* P.O. Box 148	Unit's City* Engadine	Unit's Zip* 49827	

***GARFIELD TOWNSHIP***

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Member:  
American Institute of Certified Public Accountants  
Michigan Association of Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

August 29, 2008

Township Board  
Garfield Township  
Mackinac County, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of **Garfield Township, Mackinac County, Michigan**, as of and for the year ended March 31, 2008, which collectively comprise **Garfield Township's** basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Garfield Township's** management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of **Garfield Township, Mackinac County, Michigan**, as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 24 through 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Richard E. Mahlmeister, C.P.A.  
Richard E. Mahlmeister, C.P.A., P.C.

## ***GARFIELD TOWNSHIP***

### ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

#### **FINANCIAL HIGHLIGHTS**

##### **Government-Wide Highlights**

Net assets at March 31, 2008 totaled \$1,490,684, representing an increase of \$130,601 from the previous fiscal year.

##### **Governmental Fund Highlights**

The governmental fund activities of the Township reported combined ending fund balances of \$616,090, which represents an increase of \$172,392 from the previous fiscal year.

##### **Capital Assets and Long-term Debt**

The Township's long-term debt decreased by \$18,658 to \$61,498. Capital asset and debt activity is addressed further in a subsequent section of this letter.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year March 31, 2008.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

## **GARFIELD TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities are reported as governmental activities. These would include the operations recorded in the General Fund, Special Revenue-Road Fund, Emergency Services Fund, Vehicle Replacement Fund, Parks Fund and Waterways Fund.

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position:

	<b>Garfield Township</b>	
	<b>Net Assets</b>	
	<b>March 31,</b>	
	<b>GOVERNMENTAL</b>	
	<b>ACTIVITIES</b>	
<b>Assets:</b>	<b>2008</b>	<b>2007</b>
Current assets	\$623,825	\$450,176
Capital assets (net)	938,052	999,095
Total assets	<u>1,561,877</u>	<u>1,449,271</u>
<b>Liabilities:</b>		
Current liabilities	29,245	27,690
Noncurrent liabilities	41,948	61,498
Total liabilities	<u>71,193</u>	<u>89,188</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	876,554	918,939
Unrestricted	614,130	441,144
Total net assets	<u>\$1,490,684</u>	<u>\$1,360,083</u>

## **GARFIELD TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

The most significant portion of the Township's Net Assets is the investment in capital assets (e.g. land, land improvements, buildings and improvements, machinery and equipment and vehicles), less any related debt that is outstanding that the Township used to acquire or construct the asset. The Township has \$614,130 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

The following table summarizes the results of the changes in Net Assets of the Township:

<b>Garfield Township</b>		
<b>Change in Net Assets</b>		
<b>March 31,</b>		
<b>GOVERNMENTAL</b>		
<b>ACTIVITIES</b>		
	<b>2008</b>	<b>2007</b>
<b>REVENUES:</b>		
Program revenues:		
Charges for services	\$65,559	\$35,005
Operating grants and contributions	34,375	33,617
General revenues:		
Property taxes	368,895	353,310
State-shared revenues	116,906	116,461
Interest income	12,344	10,841
Other	6,210	1,624
Total Revenues	<u>604,289</u>	<u>550,858</u>
<b>EXPENSES:</b>		
Legislative	28,022	29,935
General government	171,089	159,680
Public safety	148,392	130,581
Public works	81,765	46,803
Recreation and culture	18,841	36,042
Other	22,342	21,974
Interest on long-term debt	3,237	4,114
Total Expenses	<u>473,688</u>	<u>429,129</u>
<b>NET ASSETS:</b>		
Increase in net assets	130,601	121,729
Beginning Net Assets	<u>1,360,083</u>	<u>1,238,354</u>
Ending Net Assets	<u>\$1,490,684</u>	<u>\$1,360,083</u>

#### **Governmental Activities**

The Township's net assets increased \$130,601 during the fiscal year.

Revenue remained stable from the prior year, with the exception of property taxes which increased \$15,585. This increase is due to the continuing rise of property tax values.

## ***GARFIELD TOWNSHIP***

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

##### **Governmental Activities (Continued)**

Overall expenses have increased \$44,559. This increase is generally attributable to the following: for general government expenditures, the increased costs of providing general government services; in public safety expenditures the additional cost of assisting the State of Michigan with nearby forest fires; and for public works expenditures the cost of road projects in the current year. Recreation and culture expenditures decreased by \$17,201, primarily due to a grant received and expended in the prior year for a study performed at the marina.

#### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

##### **Governmental Funds**

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains five individual governmental funds; General Fund, Road Fund, Emergency Services Fund, Vehicle Replacement Fund of which we consider major funds. We also have Park and Waterways Funds, which we consider a non-major fund. The Township funds are financed primarily by both property tax revenue and state shared revenues.

##### **Fiduciary Funds**

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to which the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.



## **GARFIELD TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

##### **Governmental Fund Activities**

All of the governmental funds had increases in their fund balance over the prior year, except for the Waterways Fund, which had no activity. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, fire protection, ambulance service and tax collection. The General Fund increased its fund balance by \$60,666, bringing the fund balance to \$272,469; the Special Revenue-Road Fund increased its fund balance by \$87,107, bringing the fund balance to \$205,326; the Emergency Services Fund increased its fund balance by \$50,831, bringing the fund balance to \$60,609; the Vehicle Replacement Fund increased its fund balance by \$14,841, bringing the fund balance to \$77,113; and the Waterways Fund had no activity leaving the fund balance at \$573.

##### **Capital Asset and Debt Administration**

###### **Capital Assets**

At March 31, 2008, the Township's governmental activities had \$938,052 in net capital assets (land, land improvements, buildings and improvements, machinery and equipment and vehicles). There were no capital assets purchased during the current year.

###### **Long-Term Debt**

No new debt was incurred during the year. We decreased our debt by \$18,658. Our remaining debt consists of \$61,498 capital lease debt on our Pierce fire truck.

#### **BUDGETARY HIGHLIGHTS**

Differences between the original and final budget were primarily for that we budgeted in the current year that were not performed, such as town hall improvements, and road improvements.

#### **KNOWN FACTORS AFFECTING FUTURE OPERATIONS**

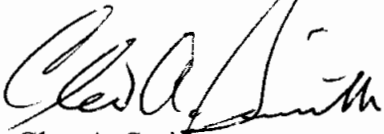
The Township expects financial aspects of governing to be generally the same as in the current year. However, one area of continuing potential revenue reduction is in state-shared revenues. These monies come from the State of Michigan and are contingent on various economic and political considerations. We also plan on improving various county roads within the Township as the Road Fund permits and eventually paving all roads within the Township. We also are striving to keep all our current buildings in good repair as money permits each year.

**GARFIELD TOWNSHIP**

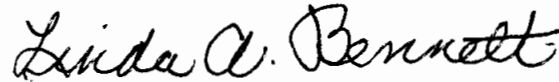
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CONTACTING TOWNSHIP MANAGEMENT**

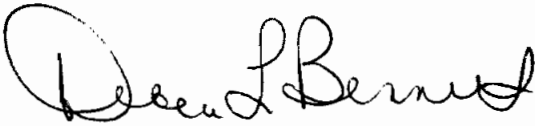
This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact any township official at 906.477.6481 (Garfield Township Hall).



Cleo A. Smith  
Garfield Township Supervisor



Linda A. Bennett  
Garfield Township Clerk



Debra L. Bennett  
Garfield Township Treasurer

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**GARFIELD TOWNSHIP  
STATEMENT OF NET ASSETS  
MARCH 31, 2008**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$558,964
Investments	24,127
Receivables:	
Property taxes	23,602
Due from fiduciary fund	3,691
Due from other governmental units	13,441
Capital assets (net of accumulated depreciation)	938,052
<b>TOTAL ASSETS</b>	<b>1,561,877</b>
<b>LIABILITIES</b>	
Accounts payable	6,095
Accrued payroll taxes	1,640
Accrued interest	1,960
Long-term liabilities:	
Due within one year	19,550
Due in more than one year	41,948
<b>TOTAL LIABILITIES</b>	<b>71,193</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	876,554
Unrestricted	614,130
<b>TOTAL NET ASSETS</b>	<b>\$1,490,684</b>

The accompanying notes are an integral part of these financial statements.

**GARFIELD TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2008**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities			
Legislative	\$28,022	\$ -	\$ -
General government	171,089	-	-
Public safety	148,392	65,559	24,375
Public works	81,765	-	10,000
Recreation and culture	18,841	-	-
Other	22,342	-	-
Interest on long-term debt	3,237	-	-
Total governmental activities	\$473,688	\$65,559	\$34,375
General Revenues			
Property taxes			
State-shared revenues			
Unrestricted interest income			
Other			
Total general revenues			
Change in net assets			
Net assets, beginning of year			
Net assets, end of year			

The accompanying notes are an integral part of these financial statements.

		Net (Expense) Revenue and Changes in Net Assets
		Governmental Activities
Capital Grants and Contributions		TOTAL
	\$ -	(\$28,022)
	-	(171,089)
	-	(58,458)
	-	(71,765)
	-	(18,841)
	-	(22,342)
	-	(3,237)
	\$ -	(373,754)

368,895
116,906
12,344
6,210
504,355
130,601
1,360,083
\$1,490,684

## **FUND FINANCIAL STATEMENTS**



**GARFIELD TOWNSHIP**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**MARCH 31, 2008**

<b>ASSETS</b>	<b>GENERAL FUND</b>	<b>ROAD FUND</b>	<b>EMERGENCY SERVICES FUND</b>
Cash and cash equivalents	\$226,823	\$198,032	\$58,831
Investments	24,127	-	-
Taxes receivable	9,095	7,287	4,814
Due from other governmental units	13,441	-	-
Due from other funds	3,677	7	5
<b>TOTAL ASSETS</b>	<b>\$277,163</b>	<b>\$205,326</b>	<b>\$63,650</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$3,335	\$ -	\$2,760
Accrued payroll taxes payable	1,359	-	281
<b>TOTAL LIABILITIES</b>	<b>4,694</b>	<b>-</b>	<b>3,041</b>
<b>FUND BALANCES</b>			
Reserved for:			
Ambulance building improvements	24,127	-	-
Unreserved:			
Designated for:			
Subsequent years' expenditures	226,258	197,805	58,715
Unreserved, undesignated	22,084	7,521	1,894
<b>TOTAL FUND BALANCES</b>	<b>272,469</b>	<b>205,326</b>	<b>60,609</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$277,163</b>	<b>\$205,326</b>	<b>\$63,650</b>

The accompanying notes are an integral part of these financial statements.

VEHICLE REPLACEMENT FUND	NON-MAJOR FUND WATERWAYS FUND	TOTAL GOVERNMENTAL FUNDS
\$74,705	\$573	\$558,964
-	-	24,127
2,406	-	23,602
-	-	13,441
2	-	3,691
<u>\$77,113</u>	<u>\$573</u>	<u>\$623,825</u>
\$ -	\$ -	\$6,095
-	-	1,640
-	-	7,735
-	-	24,127
74,618	573	557,969
2,495	-	33,994
<u>77,113</u>	<u>573</u>	<u>616,090</u>
<u>\$77,113</u>	<u>\$573</u>	<u>\$623,825</u>

**GARFIELD TOWNSHIP**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**MARCH 31, 2008**

Reconciliation of fund balances on the balance sheets for governmental activities  
to the statement of net assets

<b>FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$616,090</b>
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported in the funds.

Add: capital assets	1,520,588
Subtract: accumulated depreciation	(582,536)

Certain liabilities are not due and payable in the current period, and therefore  
are not reported as liabilities in the funds, and consist of:

Subtract: capital leases payable	(61,498)
Subtract: accrued interest on long-term liabilities	(1,960)

<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$1,490,684</u></b>
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The accompanying notes are an integral part of these financial statements.

**GARFIELD TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	GENERAL FUND	ROAD FUND	EMERGENCY SERVICES FUND
<b>REVENUES:</b>			
Taxes	\$149,963	\$109,938	\$72,695
Licenses and permits	5,409	-	-
State shared revenues	113,667	3,199	5
Contribution from local unit	10,000	-	-
Charges for services	42,817	-	17,333
Interest	8,080	2,362	906
Donations	9,603	-	14,772
Other revenue	4,624	-	1,586
<b>TOTAL REVENUES</b>	<b>344,163</b>	<b>115,499</b>	<b>107,297</b>
<b>EXPENDITURES</b>			
Current:			
Legislative	28,022	-	-
General government	162,827	-	-
Public safety	12,236	-	97,519
Public works	53,373	28,392	-
Recreation and culture	4,697	-	-
Other functions	22,342	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>283,497</b>	<b>28,392</b>	<b>97,519</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>60,666</b>	<b>87,107</b>	<b>9,778</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>211,803</b>	<b>118,219</b>	<b>50,831</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$272,469</b>	<b>\$205,326</b>	<b>\$60,609</b>

The accompanying notes are an integral part of these financial statements.

VEHICLE REPLACEMENT FUND	NON-MAJOR FUND WATERWAYS FUND	TOTAL GOVERNMENTAL FUNDS
\$36,299	\$ -	\$368,895
-	-	5,409
35	-	116,906
-	-	10,000
-	-	60,150
996	-	12,344
-	-	24,375
-	-	6,210
37,330	-	604,289
-	-	28,022
-	-	162,827
-	-	109,755
-	-	81,765
-	-	4,697
-	-	22,342
18,658	-	18,658
3,831	-	3,831
22,489	-	431,897
14,841	-	172,392
62,272	573	443,698
\$77,113	\$573	\$616,090

**GARFIELD TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

Reconciliation of statement of revenues, expenditures and changes in fund balances of  
governmental funds to statement of activities

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$172,392

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, those costs  
are allocated over their useful lives as annual depreciation expense in the statement  
of activities.

Add: capital outlay capitalized during the current year	-
Subtract: depreciation expense	(61,043)

Repayment of debt principal is an expenditure in the governmental funds, but the  
repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	18,658
--	--------

Some expenses in the statement of activities do not require the use of current  
financial resources and therefore are not reported as expenditures in  
governmental funds.

Add: prior year accrued interest on debt	2,554
Subtract: current year accrued interest on debt	(1,960)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$130,601</u>
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The accompanying notes are an integral part of these financial statements.

**GARFIELD TOWNSHIP  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
MARCH 31, 2008**

<u>ASSETS</u>		<u>AGENCY FUND</u>
Cash		<u>\$3,691</u>
<u>LIABILITIES</u>		
Due to other funds		<u>3,691</u>
<u>NET ASSETS</u>		
Fiduciary Net Assets		<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## **GARFIELD TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Garfield Township, Mackinac County, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

##### **THE REPORTING ENTITY**

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity includes those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

##### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

###### ***Government-Wide Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.



## **GARFIELD TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### ***Fund Financial Statements***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

##### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be available when cash is received by the government.

##### **FUND TYPES AND MAJOR FUNDS**

##### ***Governmental Funds***

The Township reports the following major funds:

**General Fund** - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

## **GARFIELD TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **FUND TYPES AND MAJOR FUNDS (CONTINUED)**

**Road Fund** - This special revenue fund accounts for revenues and expenditures attributable to improvement of various roads located within the Township. Revenue is primarily obtained from property taxes for this purpose.

**Emergency Services Fund** - This special revenue fund is used to account for expenditures related to providing ambulance and fire services to the Township. Financing is provided primarily by a special property tax levy.

**Vehicle Replacement** - This special revenue fund is used to accumulate funding for the purchase of emergency services equipment and vehicles. Financing is provided primarily by a special property tax levy.

##### ***Fiduciary Funds***

**Trust and Agency Fund** - The Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

##### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

##### **INVESTMENTS**

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

##### **INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values. Interfund transfers reflect the use of unrestricted revenues collected in the General Fund used to finance programs accounted for in other funds in accordance with budgetary provisions.

##### **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **GARFIELD TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS**

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

##### **CAPITAL ASSETS**

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are generally defined by the government as assets with an initial individual cost of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Land improvements	10 – 15 years
Buildings and improvements	15 – 40 years
Machinery and equipment	5 – 10 years
Vehicles	5 – 20 years

##### **LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures.

##### **FUND EQUITY**

Reserved fund balances for governmental funds indicate that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

## **GARFIELD TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **FUND EQUITY**

Reserved fund balances for governmental funds indicate that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

##### **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Township Board.
5. Appropriations expire at the end of the fiscal year.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

#### **NOTE 2: PROPERTY TAX**

Property tax revenues for the year ended March 31, 2008, reflected in the accompanying financial statements include property taxes levied December 31, 2007. These taxes are due by February 15, 2008, and are added to the County tax rolls after February 28, 2008. The Township will receive 100% payment for the delinquent tax by June, 2008.

The taxable value of the Township totaled \$79,097,545, on which ad valorem taxes consisted of 1.4971 mills for the Township's operating purposes, 1.4121 mills for roads, .9330 mills for emergency services and .4664 mills for equipment replacement, raising \$116,262 for operating purposes \$109,938 for roads, \$72,695 for emergency services and \$36,299 for equipment replacement.

**GARFIELD TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: CASH AND CASH EQUIVALENTS**

The caption on the statements of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	\$562,655
Investments (certificate of deposit)	<u>24,127</u>
	<u>\$586,782</u>

**Custodial Credit Risk – Deposits:** At year-end the carrying amounts of cash and cash equivalents were classified as to risk as follows:

	<b>Carrying Amount</b>	<b>Bank Balance</b>
Insured (FDIC)	<u>\$305,561</u>	<u>\$216,929</u>
Uninsured – uncollateralized	<u>298,658</u>	<u>369,853</u>
	<u>\$604,219</u>	<u>\$586,782</u>

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated level are used as depositories. The Township may experience significant fluctuations in deposit balances through the year.

**Statutory Authority**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township's deposits and investment policy are in accordance with statutory authority.

**GARFIELD TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4: INTERFUND BALANCES AND TRANSFERS**

The composition of interfund receivables and payables for the year ended March 31, 2008 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$3,677	\$ -
Road	7	-
Emergency Services	5	-
Vehicle Replacement	2	-
Fiduciary - Tax Collection	-	3,691
Total	<u>\$3,691</u>	<u>\$3,691</u>

There were no operating transfers for the year ended March 31, 2008.

**NOTE 5: CAPITAL ASSETS**

Capital asset activity of the governmental activities for the current year was as follows:

	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2008</u>
<u>Not being depreciated:</u>				
Land	\$58,108	\$ -	\$ -	\$58,108
<u>Being depreciated:</u>				
Land improvements	11,720	-	-	11,720
Building and improvements	215,158	-	-	215,158
Machinery and equipment	127,043	-	-	127,043
Vehicles	542,807	-	-	542,807
Marina	<u>565,752</u>	<u>-</u>	<u>-</u>	<u>565,752</u>
Subtotal	1,520,588	-	-	1,520,588
Less accumulated depreciation	<u>(521,493)</u>	<u>(61,043)</u>	<u>-</u>	<u>(582,536)</u>
Total	<u>\$999,095</u>	<u>(\$61,043)</u>	<u>\$ -</u>	<u>\$938,052</u>

**GARFIELD TOWNSHIP**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: CAPITAL ASSETS (CONTINUED)**

Depreciation was charged to the Township's functions as follows:

General government	\$8,262
Public safety	38,637
Recreation and culture.	14,144
	<u>\$61,043</u>

**NOTE 6: CAPITAL LEASES AND LONG-TERM DEBT**

The Township has entered into two capital lease agreements for a fire truck and for emergency defibrillator equipment, which will become the Township's property when the terms of the lease are met.

A summary of long-term obligations related to the capital lease agreements for the year ended March 31, 2008, as follows:

	Balance April 1, 2007	Deletions	Balance March 31, 2008	Due in One Year
Oshkosh Capital Leasing, Inc., fire truck; annual payments of \$22,490, including interest at 4.78%, though July, 2010.	\$80,156	\$18,658	\$61,498	\$19,550

The following schedule presents the future minimum lease payments as of March 31, 2008:

<u>Year Ended March 31,</u>	<u>Amount</u>
2009	\$22,490
2010	22,490
2011	<u>22,490</u>
<b>Total minimum payments due</b>	<b>67,470</b>
Less amounts representing interest	<u>5,972</u>
<b>Present value of net minimum lease payments</b>	<b><u>\$61,498</u></b>

Interest paid for the year ended March 31, 2008 was \$3,831

The fire truck and accumulated depreciation under this capital lease, as follows:

	<u>Fire Truck</u>
Vehicles	\$202,994
Accumulated depreciation	55,823
	<u>\$147,171</u>

## **GARFIELD TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 7: PENSION PLAN**

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 6.2% of employees' gross earnings and employees contribute 6.2% percent of earnings. In accordance with these requirements, the Township contributed \$8,716 during the current year, and the employees contributed \$8,716. Fees and contract charges were \$190.

#### **NOTE 8: CONSTRUCTION CODE**

The Township collects fees for permits and conducts inspections in accordance with Act 245 of 1999 and accounts for the related activity in the General Fund. Revenues are shown as Licenses and Permits and the related expenditures are shown under General Fund zoning, building and electrical inspection expenditures. Following is this activity for the year ended March 31, 2008, as reported in the accompanying financial statements:

**Revenues:**

Licenses & permits	<u>\$5,409</u>
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**Expenditures:**

Salaries & fringe benefits	9,409
Other	<u>2,827</u>

<b>Total Expenditures</b>	<u>12,236</u>
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<b>Expenditures over Revenues</b>	<u><u>(\$6,827)</u></u>
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#### **NOTE 9: RISK MANAGEMENT**

Garfield Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of \$865,600, general liability of \$4,000,000, wrongful acts of \$3,000,000, crime of \$10,000, automobile of \$2,000,000, inland marine liability of \$217,910 and bonding for public officials errors and omissions. Additionally, the Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.



***GARFIELD TOWNSHIP***

***NOTES TO FINANCIAL STATEMENTS***

**NOTE 10: COMMITMENTS**

The Township is committed under contracts for road improvements in the approximate amount of \$90,000.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**GARFIELD TOWNSHIP  
BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property tax	\$115,000	\$115,000	\$116,262	\$1,262
Property taxes - administrative fee	25,000	25,000	33,701	8,701
<b>Total taxes</b>	<b>140,000</b>	<b>140,000</b>	<b>149,963</b>	<b>9,963</b>
<b>Licenses and permits:</b>				
Building and electrical permits	6,000	6,000	5,409	(591)
<b>State shared revenues:</b>				
State shared revenues	75,000	75,000	85,537	10,537
Payments in lieu of taxes and commercial forest	28,000	28,000	28,130	130
<b>Total state shared revenues</b>	<b>103,000</b>	<b>103,000</b>	<b>113,667</b>	<b>10,667</b>
<b>Contribution from local unit</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>
<b>Charges for services:</b>				
Cemetery lots and burials	2,700	2,700	2,975	275
Fire service	3,000	3,000	8,525	5,525
Ambulance service	13,000	13,000	28,505	15,505
Rentals	4,500	4,500	2,812	(1,688)
<b>Total charges for services</b>	<b>23,200</b>	<b>23,200</b>	<b>42,817</b>	<b>19,617</b>
<b>Interest</b>	<b>2,000</b>	<b>2,000</b>	<b>8,080</b>	<b>6,080</b>
<b>Donations</b>	<b>-</b>	<b>9,495</b>	<b>9,603</b>	<b>108</b>
<b>Other revenue</b>	<b>2,300</b>	<b>2,300</b>	<b>4,624</b>	<b>2,324</b>
<b>TOTAL REVENUES</b>	<b>286,500</b>	<b>295,995</b>	<b>344,163</b>	<b>48,168</b>

**GARFIELD TOWNSHIP  
BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>LEGISLATIVE</b>				
Township board	\$40,616	\$41,291	\$28,022	\$13,269
<b>GENERAL GOVERNMENT</b>				
Supervisor	46,392	46,392	45,150	1,242
Elections	6,850	6,850	4,303	2,547
Board of Review	2,100	2,100	1,176	924
Clerk	29,592	31,842	30,461	1,381
Treasurer	19,422	19,422	19,308	114
Township property	75,831	83,831	58,856	24,975
Cemetery	7,000	7,000	3,573	3,427
<b>TOTAL GENERAL GOVERNMENT</b>	<b>187,187</b>	<b>197,437</b>	<b>162,827</b>	<b>34,610</b>
<b>PUBLIC SAFETY</b>				
Zoning, building and electrical inspections	20,600	20,600	12,236	8,364
<b>PUBLIC WORKS</b>				
Highways and streets	33,000	33,000	32,135	865
Street lighting	18,000	18,000	17,735	265
Sanitation	6,000	6,000	3,503	2,497
<b>TOTAL PUBLIC WORKS</b>	<b>57,000</b>	<b>57,000</b>	<b>53,373</b>	<b>3,627</b>
<b>RECREATION AND CULTURE</b>				
Parks	6,650	7,470	2,761	4,709
Marina	4,700	4,700	1,936	2,764
<b>TOTAL RECREATION AND CULTURE</b>	<b>11,350</b>	<b>12,170</b>	<b>4,697</b>	<b>7,473</b>
<b>OTHER FUNCTIONS</b>				
Insurance	25,000	25,000	22,342	2,658
Contingency	25,000	22,750	-	22,750
<b>TOTAL OTHER FUNCTIONS</b>	<b>50,000</b>	<b>47,750</b>	<b>22,342</b>	<b>25,408</b>
<b>CAPITAL OUTLAY</b>	<b>95,262</b>	<b>95,262</b>	<b>-</b>	<b>95,262</b>
<b>TOTAL EXPENDITURES</b>	<b>462,015</b>	<b>471,510</b>	<b>283,497</b>	<b>188,013</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(175,515)</b>	<b>(175,515)</b>	<b>60,666</b>	<b>236,181</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>211,803</b>	<b>211,803</b>	<b>211,803</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$36,288</b>	<b>\$36,288</b>	<b>\$272,469</b>	<b>\$236,181</b>

**GARFIELD TOWNSHIP  
BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - ROAD FUND  
FOR THE YEAR ENDED MARCH 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Property tax	\$110,000	\$110,000	\$109,938	(\$62)
State shared revenues - METRO Act	3,000	3,000	3,095	95
Payments in lieu of taxes and commercial forest	-	-	104	104
Interest income	750	750	2,362	1,612
<b>TOTAL REVENUES</b>	<b>113,750</b>	<b>113,750</b>	<b>115,499</b>	<b>1,749</b>
<b>EXPENDITURES:</b>				
Public works	215,380	215,380	28,392	186,988
Contingency	10,000	10,000	-	10,000
<b>TOTAL EXPENDITURES</b>	<b>225,380</b>	<b>225,380</b>	<b>28,392</b>	<b>196,988</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(111,630)</b>	<b>(111,630)</b>	<b>87,107</b>	<b>198,737</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>118,219</b>	<b>118,219</b>	<b>118,219</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$6,589</b>	<b>\$6,589</b>	<b>\$205,326</b>	<b>\$198,737</b>

**GARFIELD TOWNSHIP  
BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - EMERGENCY SERVICES FUND  
FOR THE YEAR ENDED MARCH 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Property tax	\$71,000	\$71,000	\$72,695	\$1,695
Payments in lieu of taxes and commercial forest	-	-	5	5
Charges for services	-	-	17,333	17,333
Interest income	3,400	3,400	906	(2,494)
Donations	-	32,861	14,772	(18,089)
Other income	-	-	1,586	1,586
<b>TOTAL REVENUES</b>	<b>74,400</b>	<b>107,261</b>	<b>107,297</b>	<b>36</b>
<b>EXPENDITURES:</b>				
Public safety:				
Ambulance	43,657	44,635	34,222	10,413
Fire	48,084	79,967	63,297	16,670
Capital outlay	21,500	21,500	-	21,500
Contingency	9,826	9,826	-	9,826
<b>TOTAL EXPENDITURES</b>	<b>123,067</b>	<b>155,928</b>	<b>97,519</b>	<b>58,409</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(48,667)</b>	<b>(48,667)</b>	<b>9,778</b>	<b>58,445</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>50,831</b>	<b>50,831</b>	<b>50,831</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$2,164</b>	<b>\$2,164</b>	<b>\$60,609</b>	<b>\$58,445</b>

**GARFIELD TOWNSHIP  
BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - VEHICLE REPLACEMENT FUND  
FOR THE YEAR ENDED MARCH 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Property tax	\$36,000	\$36,000	\$36,299	\$299
Payment in lieu of taxes and commercial forest	-	-	35	35
Interest income	600	600	996	396
<b>TOTAL REVENUES</b>	<b>36,600</b>	<b>36,600</b>	<b>37,330</b>	<b>730</b>
<b>EXPENDITURES:</b>				
Capital outlay	63,654	63,654	-	63,654
Debt service:				
Principal	19,000	19,000	18,658	342
Interest	4,000	4,000	3,831	169
Contingency	10,000	10,000	-	10,000
<b>TOTAL EXPENDITURES</b>	<b>96,654</b>	<b>96,654</b>	<b>22,489</b>	<b>74,165</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(60,054)</b>	<b>(60,054)</b>	<b>14,841</b>	<b>74,895</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>62,272</b>	<b>62,272</b>	<b>62,272</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$2,218</b>	<b>\$2,218</b>	<b>\$77,113</b>	<b>\$74,895</b>

August 29, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Township Board  
Garfield Township  
Mackinac County, Michigan

I have audited the financial statements of the governmental activities and each major fund, of Garfield Township, and have issued my report thereon dated August 29, 2008. Professional standards require that I provide you with the following information related to my audit.

**My Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in my engagement letter dated April 18, 2008, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

**Planned Scope and Timing of the Audit**

I performed the audit according to the planned scope and timing previously communicated to you on August 13, 2008.

**Significant Audit Findings**

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Garfield Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.



Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was determining depreciation expense. I evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

*Management Representations*

I have requested certain representations from management that are included in the management representation letter dated August 29, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Auditing standards require me to report to you significant audit findings or issues. Following are the significant findings I noted during my audit:

- There is a lack of segregation of duties in the accounting function due to the limited number of accounting personnel. This condition is generally inherent in organizations the size of Garfield Township, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.
- Garfield Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures. However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

Additionally I have presented other matters for your consideration in the same letter dated August 29, 2008.

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the Board and management of Garfield Township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Richard E. Mahlmeister, C.P.A.

Richard E. Mahlmeister, C.P.A., P.C.

August 29, 2008

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL  
WEAKNESSES IN INTERNAL CONTROL AND OTHER MATTERS

Township Board  
Garfield Township  
Mackinac County, Michigan

In planning and performing my audit of the financial statements of **Garfield Township** as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered Garfield Township's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Garfield Township's internal control. My consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, I do not express an opinion on the effectiveness of Garfield Township's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies and a deficiency that I consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

I consider the following deficiencies to be significant deficiencies in internal control:

**Lack of Segregation of Duties**

Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

This condition is generally inherent in organizations the size of Garfield Township, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

I believe the following deficiency constitutes a material weaknesses:

**Financial Statement Preparation**

Garfield Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures.

However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

In addition, I noted other matters for your consideration:

**Accounting software and the Uniform Chart of Accounts**

Considering the size and accounting needs of the Township, the current accounting software does not provide adequately the accounting information for financial statement preparation and does not utilize the Uniform Chart of Accounts, as prescribed by the State of Michigan. Additionally the Township should implement separate fund accounting for all funds of the Township.

I suggest that the Board update the accounting software to a level that will provide accounting and budgeting information, separately for each fund, that may be more useful to management and that utilizes the Uniform Chart of Accounts, as prescribed by the State of Michigan.

**Cash prizes and employee recognition events**

I noted that cash prizes (door prizes) were made at a recognition event for the emergency services personnel. According to state statute employee recognition events may be considered unlawful expenditures unless certain conditions are met. Also, the cash prizes made during these events would be considered unlawful expenditures.

Garfield Township  
August 29, 2008  
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**Cash prizes and employee recognition events (continued)**

I suggest the Board review state statutes and/or consult with your attorney before any expenditures outside normal operational expenditures are made.

This communication is intended solely for the information and use of management and the Members of the Board of **Garfield Township**, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the opportunity to serve **Garfield Township**. Best wishes in the next year.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard E. Mahlmeister". The signature is fluid and cursive, with the first name "Richard" and last name "Mahlmeister" clearly legible.

Richard E. Mahlmeister, C.P.A.

Richard E. Mahlmeister, C.P.A., P.C.